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2005 CURRENT-ACCOUNT DEFICIT IS LARGEST ON RECORD

Irresponsible Bush Administration Budget Deficits Driving Up Trade Deficit

Washington, D.C. – The U.S. current account deficit, which is the broadest measure of our international trade deficit, rose to a record-smashing $804.9 billion in 2005 from $668.1 billion in 2004, according to the Commerce Department. The current account deficit measures how much the United States needs to borrow from the rest of the world to finance its international payments imbalance.

“The ballooning international trade and budget deficits dramatize the misplaced fiscal priorities of the President and the Majority in Congress,” said **Sen. Jack Reed** (D-RI), Ranking Democrat on the **Joint Economic Committee**. “The Administration’s large federal budget deficits and mounting federal debt are putting enormous pressure on the trade deficit and the dollar. We are mortgaging our future to foreign investors and foreign governments instead of getting our fiscal house in order and boosting our own national saving.”

The Commerce Department reported today that the U.S. current account deficit, which combines the balance on trade in goods and services with the balance on international income flows, was a record equal to 6.4 percent of gross domestic product (GDP) last year, the fourth consecutive year with an increase. Trade in goods and services is by far the largest component of the current account. In 2005 the deficit on goods and services increased to $723.6 billion from $617.6 billion in 2004. The surplus of income flows dropped sharply to $1.6 billion in 2005, down from a surplus of $30.4 billion in 2004 and the lowest income surplus on record.

In the fourth quarter of 2005, the current account deficit increased sharply to $224.9 billion, up from $185.4 billion in the third quarter. The fourth-quarter current account deficit was equal to 7.1 percent of gross domestic product (GDP), up 1.2 percentage points from the third quarter level. Both the level of the deficit in the fourth quarter and the amount of its widening are the largest on record. The fourth-quarter rise in the current account deficit stemmed chiefly from a rise in the trade deficit in goods and services as well as a sharp drop in the hurricane-related transfers from abroad (payments from foreign-owned insurance companies and donations) that worked to lower the current account deficit in the third quarter. The balance on income flows ended the year in a deficit of $2.4 billion.

The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.

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